

Message Text

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ACTION EB-07

INFO OCT-01 EA-10 IO-10 ISO-00 FEA-01 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

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TAGS: ETRD, EAGR, EIND, KS, US

SUBJ: FURTHER ROKG TARIFF REVISIONS

REF: (A) SEOUL 5185

(B) SEOUL 2369

(C) SEOUL A46, FEB 26, 1974

SUMMARY: MINISTRY OF FINANCE (MOF) HAS ANNOUNCED LOWER TARIFF RATES FOR 266 ITEMS AND HIGHER RATES 66 OTHERS. RATES FOR 181 RAW MATERIALS FOR EXPORTERS AND CERTAIN EQUIPMENT NEEDED BY HEAVY AND CHEMICAL INDUSTRIES REDUCED; RATES FOR CERTAIN COMMODITIES ENJOYING TEMPORARILY LOWER RATES AND SOME NON-ESSENTIAL COMMODITIES RAISED; AND OTHER RATES MODIFIED TO ACHIEVE MORE UNIFORM TARIFF STRUCTURE. IMMEDIATE, PRACTICAL IMPACT QUITE LIMITED, BUT REVISIONS IMPROVE SOMEWHAT TARIFF STRUCTURE FOR LONGER TERM. MOST SIGNIFICANT CHANGES FOR U.S. ARE HIGHER RATES FOR TALLOW, RAW HIDES AND SKINS, CORN, OTHER THAN FOR ANIMAL FEED, AND SOYBEANS. END SUMMARY.

1. MOF HAS ANNOUNCED TARIFF REVISIONS FOR 315 ITEMS, INCLUDING UNCLASSIFIED

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ING LOWER RATES FOR 226 ITEMS AND HIGHER RATES FOR 89 ITEMS, EFFECTIVE JULY 1, THIS GROUP OF REVISIONS IS VERY SIMILAR IN PATTERN TO REVISIONS FOR 324 ITEMS IN APRIL THIS YEAR REPORTED REF B AND THEY HAVE BEEN UNDERTAKEN FOR BASIC-

LY SAME REASONS OUTLINED THAT MESSAGE.

2. LARGEST GROUP INVOLVED ARE 181 RAW MATERIALS PRINCIPALLY IMPORTED FOR EXPORT PRODUCTION. RATES IN MOST CASES LOWERED FROM 50 PERCENT- 100 PERCENT RANGE TO 40 TO 60 PERCENT RANGE. THESE REDUCTIONS, AS WAS TRUE OF SIMILAR REDUCTIONS MADE IN APRIL, ARE INTENDED TO HELP OFFSET SOME OF HIGHER COSTS ACCRUING TO EXPORTERS AS CONVERSION TO "DRAW-BACK" SYSTEM FOR HANDLING TARIFF EXEMPTIONS IS IMPLEMENTED (SEE REF A FOR DISCUSSION THAT SYSTEM).

3. RATES WERE ALSO LOWERED FROM 50 PERCENT- 80 PERCENT RANGE TO 40 PERCENT - 60 PERCENT RANGE FOR 27 COMPONENTS, PARTS AND OTHER ESSENTIAL MATERIALS WHICH ARE OF IMPORTANT TO INDUSTRIES BEING PROMOTED UNDER THE HEAVY AND CHEMICAL INDUSTRY PLAN.

4. THE REMAINING REVISIONS INCLUDE SOME HIGHER RATES FOR VARIOUS CONSUMER-ORIENTED AND NONESSENTIAL MATERIALS, ELIMINATION OF TEMPORARY LOWER RATES FOR CERTAIN ITEMS GENERALLY ON THE GROUNDS THAT INTERNATIONAL PRICES FOR THESE ITEMS HAVE NOW DECLINED AND A FURTHER REALIGNMENT OF OTHER RATES AS A CONTINUATION OF PROGRAM TO DEVELOP MORE UNIFORM TARIFF STRUCTURE.

5. U.S. IMPACT: EMBASSY'S PRELIMINARY REVIEW INDICATES THAT AMONG ITEMS OF SUBSTANTIAL U.S. TRADE INTEREST, REVISIONS RESULTED IN MODERATELY HIGHER RATES FOR SEVERAL AGRICULTURAL COMMODITIES. ITEMS INVOLVED, WITH 1974 IMPORTS FROM U.S. IN PARENTHESIS, ARE: BEEF TALLOW (\$45 MILLION) RAISED FROM 10 PERCENT TO 15 PERCENT FOR TALLOW WITH ACID VALUE OVER 3.9 AND FROM 20 TO 30 PERCENT FOR OTHER TALLOW; RAW HIDES AND SKINS (\$25 MILLION) FROM 25 PERCENT TO 30 PERCENT; CORN, EXCLUDING CORN FOR ANIMAL FEED, (\$15 MILLION) FROM 19 PERCENT TO 20 PERCENT; AND SOYBEANS (\$14 MILLION) FROM 9 PERCENT TO 10 PERCENT. HIGHER RATES FOR TALLOW AND SOYBEANS BOTH INVOLVED INCREASES IN, OR ELIMINATION OF, TEMPORARY, LOWER RATES.
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INCREASES FOR RAW HIDES AND SKINS AND CORN, OTHER THAN ANIMAL FEED, ARE INCLUDED IN GROUP OF INCREASES FOR CONSUMER-ORIENTED OR NONESSENTIAL COMMODITIES. ONE OTHER MAJOR U.S. EXPORT AFFECTED WAS ELECTRONIC COMPONENTS WHERE RATES FOR COMPONENTS FOLLOWING UNDER BTN FOUR-DIGIT CATEGORY 8521 ARE NOW UNIFORMLY SET AT 30 PERCENT. THIS INVOLVED LOWERING ONE RATE FROM 50 PERCENT AND INCREASING OTHERS FROM 20 PERCENT, EMBASSY IS IN PROCESS OF MORE DETAILED REVIEW OF REVISIONS AND WILL FORWARD RESULTS BY AIRGRAM.

6. COMMENT: IT IS IMPORTANT TO KEEP IN MIND THAT WITH KOREA'S EXTENSIVE DUTY EXEMPTION SYSTEM AND COMPLEX ARRAY OF NON-TARIFF BARRIERS, CHANGES IN TARIFF RATES ARE FREQUENTLY OF ONLY

MARGINAL IMPORTANCE TO KOREAN IMPORTERS. ON OTHER HAD, AS
PHASED IMPLEMENTATION OF "DRAWBACK" SYSTEM PROCEEDS FOR HANDLING
TARIFF EXEMPTIONS FOR IMPORTS OF RAW AND INTERMEDIATE MATEIALS
FOR USE IN EXPORT PRODUCTION (SEE REF A) AND WITH PLANNED
GRADUAL PHASE OUT OF TARIFF EXEMPTIONS FOR MACHINERY AND
EQUIPMENT FOR PRIORITY INDUSTRIES AS SET FORTH IN JANUARY
14, 1974 REFORM OF TARIFF EXEMPTION SYSTEM (SEE REF C), TARIFF
STRUCTURE WILL TAKE ON ADDED IMPORTANCE OVER TIME. THUS, WHILE
IMMEDIATE IMPACT THESE LATEST CHANGES AND THOSE OF APRIL
THIS YEAR IS QUITE LIMITED, FACT THAT THERE HAVE BEEN FAR MORE
RATES LOWERED THAN RAISED AND THAT EFFORT IS BEING MADE TO DE-
VELOP MORE UNIFORM TARIFF STRUCTURE ARE WELCOME DEVELOPMENTS
IN TERMS OF LONGER TERM OUTLOOK.
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